



CALIFORNIA PRESCRIPTION DRUG INITIATIVE

On July 24 Governor Schwarzenegger will convene a summit at the University of California Los Angeles to address the issue of health care affordability. The rising costs of prescription drugs, hospital care and insurance premiums pose a very serious challenge to the state's health care system, and meaningful reforms are necessary to ensure that all Californians have access to affordable health care. The summit provides a forum for representatives from all sides of this issue—including consumer, business, labor, government, public health, provider and research communities—to discuss the critical forces driving rising costs and identify the next steps that will lead to the Governor's plan of announcing comprehensive health care reforms early next year.

In conjunction with the summit, Governor Schwarzenegger is announcing actions by his administration to support affordability through health information technology, negotiated discounts on prescription drugs, school-based health centers and funding for stem cell research.

Increasing the affordability of prescription drugs for millions of Californians

Governor Schwarzenegger is calling for legislation this session to create the California Prescription Drug Initiative to give millions of low-income Californians access to discounted and free prescription drugs.

Millions of low-income Californians are unable to access prescription drugs at a reasonable price. Since 1994 costs continue to increase an average of 8.3 percent each year, according to the Kaiser Family Foundation. Studies show that individuals without insurance pay between 40-60 percent more for their prescription drugs than government or private health insurance providers.

Lowering the cost of prescription drugs is one of the most important consumer issues in California. Since taking office, Governor Schwarzenegger has promoted this as one of his top priorities. He has publicly and personally called on drug manufacturers to help him bring lower cost prescription drugs to California's uninsured. The proposed prescription drug initiative will provide meaningful discounts to working Californians. The Governor looks to each and every manufacturer to help deliver these discounts and will continue to work on legislation with stakeholders and the Legislature.

As called for by Governor Schwarzenegger, the California Prescription Drug Initiative will:

- Provide access to up to 40 percent savings on brand name and up to 60 percent savings on generic prescription drugs. These savings will be made available to:
 - Uninsured Californians with incomes below 300 percent of the federal poverty level (\$60,000 for a family of four).
 - Californians with significant un-reimbursed medical expenses and incomes that fall below the state median family income (\$68,310 for a family of four).
 - Upon federal approval, eligible seniors whose drugs are not covered by Medicare.
- Make signing up for the program as easy as possible through a single point of entry, a simple application form and enrollment through a call center and at local pharmacies, doctors, clinics and the Internet. There will be a modest \$10 annual application fee to participate in the program.
- Leverage the purchasing power of uninsured low-income Californians so that they may negotiate discounts with manufacturers and pharmacies on brand name and discount drugs.
- Include necessary safeguards to assure accurate pricing.
- Consider three different benchmarks in negotiations with drug manufacturers: the Medicaid Best Price, the lowest price offered to private payers and the average manufacturers' price minus 15 percent.
- Give drug manufacturers the ability to voluntarily negotiate discounts for the program's first five years. If after five years manufacturers do not provide discounts at the benchmark levels, the state may—upon federal approval—tie participation in Medi-Cal with participation in this program, provided it maintains budget neutrality and does not disrupt care of California's Medi-Cal enrollees.